

Rockville Green Building Tax Credit

Chapter 22 (Taxation) Article IX. High Performance Building Tax Credit for Existing Buildings

Purpose

- Promote high performance, healthful, durable, affordable, and environmentally responsible buildings by supporting owners and managers of existing buildings that implement sustainable operations, processes, system upgrades, minor space-use changes, and minor facility alterations or additions.

Eligibility Requirements

- **Existing¹ commercial buildings**, such as offices, retail and service establishments, hotels, and multi-family residential structures with four or more stories, that pay City real property tax.
- **Achieve Silver, Gold or Platinum certification** in the Leadership in Energy and Environmental Design for Existing Building: Operations and Maintenance (**LEED-EB**) green building rating system on or after 7/1/2012.
- **Achieve at least 3 of the following 6 local priority LEED credits:**
 1. Integrated Pest Management, Erosion Control, and Landscape Management Plan
 2. Alternative Commuting Transportation
 3. Stormwater Quantity Control
 4. Additional Indoor Plumbing Fixture and Fitting Efficiency
 5. Optimize Energy Efficiency Performance
 6. On-site and Off-site renewable energy systems
- For the first year of the tax credit, the building must **achieve ENERGY STAR certification with the U.S. Environmental Protection Agency.**
- For years 2 through 5, either submit the Statement of Energy Performance to the City demonstrating achievement of ENERGY STAR certification or submit the ASHRAE Building Energy Certificate demonstrating that the building has maintained or improved energy performance from the first year.
- Employ a **good faith effort to solicit local businesses** to supply the services, materials, labor, and equipment needed to achieve LEED-EB certification.

Amount and Duration

- The tax credit is based on **allowable cost**, which is **capped at \$400,000 and includes professional services** (e.g., energy analysis, engineering, architectural services, commissioning, etc.) **and building retrofits and improvements compliant with LEED-EB** (e.g., plumbing fixtures, lighting, HVAC and other energy efficiency upgrades, renewable energy systems, stormwater management and landscaping improvements, green or cool roofs, etc.). Allowable costs do not include the cost of LEED fees, telephone systems, computers, legal fees, land, security features, demolition, temporary features, building operations & maintenance, internal labor, taxes, mortgage loans & interest, furniture, and other improvements not compliant with LEED-EB.
- The annual tax credit is calculated as the following percentage of the allowable cost paid to improve the building: **5% LEED Silver, 10% LEED Gold, and 15% LEED Platinum.**

¹ The incentive does not apply to owners that construct new buildings or owners who undertake significant building renovations or additions affecting more than 50 percent of the total building floor area, since these actions are governed by the requirements of the City's Green Building Code (City Code Chapter 5) and the LEED for new construction program. While the tax credit is primarily aimed at providing an incentive to upgrade an existing building, a new or significantly modified building may also become eligible after the building has been in operation for at least twelve continuous months and at least 50 percent of the building floor area is occupied. However, the tax credit would only be applied to further investments in the property after that point in time.

- If the tax credit calculated is more than the real property tax liability, the **tax credit will be limited to the real property tax liability**.
- The tax credit duration is an **annual refund over 5 consecutive years** (subject to annual expenditure appropriation by the Mayor and Council).
- The tax credit runs with the property. A change in ownership does not result in a lapse in a tax credit, providing that the property continues to comply with the eligibility requirements.

Tax Credit Examples

Example 1: \$150,000 Investment	LEED Silver (5%)	LEED Gold (10%)	LEED Platinum (15%)
Annual Tax Credit	\$7,500	\$15,000	\$22,500
Cumulative 5 Year Credit Value	\$37,500	\$75,000	\$112,500

Example 2: \$400,000 Investment (maximum)	LEED Silver (5%)	LEED Gold (10%)	LEED Platinum (15%)
Annual Tax Credit	\$20,000	\$40,000	\$60,000
Cumulative 5 Year Credit Value	\$100,000	\$200,000	\$300,000

Annual Limits

- The cumulative tax credits granted to all applicants within a fiscal year must not exceed an annual cap that is subject to annual appropriation by the Mayor and Council.
- Tax credits are granted in the order in which completed final applications are received. Once the annual appropriation is met, applicants may be eligible in the next fiscal year, subject to available funding.
- The program is proposed as a 5-year pilot. Unless modified by the Mayor and Council, the City will stop accepting new applications on February 1, 2017 and approved tax credits would be phased out in subsequent years.
- The effective date of the tax credit will be determined based on funding appropriation.

Administration

1. Taxpayer submits the **pre-application** to the Environmental Management Division (EMD) to reserve funds for 1 year and to be considered in budget planning. The pre-application includes the LEED project registration, strategy to comply with requirements and achieve LEED and ENERGY STAR certification, and an estimated amount of tax credit funds to reserve.
2. EMD issues **pre-application approval letter** that states the estimated tax credit amount reserved, the earliest taxable year for which the credit may be claimed, and the expiration date. A request to extend the expiration date for the tax credit reservation may be submitted 30 days prior to the expiration date.
3. Taxpayer meets all requirements and submits the **final application** to EMD that includes paid invoices/receipts with LEED credit justification, LEED scorecard and certificate, annual Statement of Energy Performance demonstrating ENERGY STAR certification, and other documentation verifying compliance with all requirements.
4. EMD issues the **final tax credit letter** stating the amount and duration of the tax credit.
5. For each eligible year of the credit, the taxpayer must continue to satisfy all of the requirements and submit the **annual Statement of Energy Performance** to EMD by the first of February. Thereupon, EMD submits a request to Finance to issue the **annual tax credit refund** to the taxpayer.